

DEPARTMENT OF THE TREASURY

BUREAU OF ENGRAVING AND PRINTING



Strategic Plan
2000-2005



DIRECTOR

DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING
WASHINGTON, D.C. 20228

MEMORANDUM FOR LAWRENCE SUMMERS
SECRETARY

THRU: MARY ELLEN WITHROW
TREASURER

FROM: Thomas A. Ferguson
Director

SUBJECT: Submission of Final Strategic Plan for 2000-2005

I am pleased to submit the final version of the Bureau of Engraving and Printing's 2000-2005 Strategic Plan in compliance with the Government Performance Results Act (GPRA) and OMB Circular A-11. The Plan identifies the Bureau's organizational goals for the next five years and directly supports the Treasury goals.

In response to the requirements of OMB Circular A-11, section 210.15, the Bureau has the following responses:

Summary of the General Scope and Nature of Consultations

The Bureau solicited input from Congress, its employees, customers and stakeholders. We sent letters out to seven (7) Congressional Committees offering to brief them on our Plan. We held meetings with our employees, at the Directorate and Office level. We have met frequently with our customers and have developed performance goals to meet their needs. Likewise, the Bureau met with stakeholders, such as those who manufacture equipment and systems that have the primary function of processing currency. The briefings and meetings have been a valuable source of feedback for the Bureau and have fostered good communication.

Summary of Contrary Views Received

The Bureau did not receive any contrary views about the Plan from our customers and stakeholders outside the Executive Branch of the Government.

Description of Any Significant Contribution to the Preparation of the Plan by Non-Federal Entities:

The Plan was developed and prepared by Bureau managers and employees.

Public Availability of Plan

The Plan will be on the Bureau web site by the end of September for all interested parties. The site is www.bep.treas.gov

We appreciate the opportunity to submit the 2000 – 2005 Strategic Plan.

BUREAU OF ENGRAVING AND PRINTING
STRATEGIC PLAN
2000-2005

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DIRECTOR

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MESSAGE FROM THE DIRECTOR

The BEP has an excellent history in manufacturing security documents for the Federal Reserve, United States Postal Service, and other government agencies. The current focus within the Federal Government is to provide improved services at reduced costs. Based on demands from the American public and feedback received from our customers, the focus within BEP specifically, is on quality products, a safe working environment, and meeting customer orders.

These efforts are described in our new Strategic Plan for Fiscal Years 2000-2005. This five-year plan is directly related to our vision statement, "To be a world class securities printer providing the public and customer agencies superior products through excellence in manufacturing and technological innovation."

This Plan is a decision-making document that will lead us to manufacturing excellence in the years to come. I want to thank all the employees of the Bureau for their input in consultation with our stakeholders and customers.

Thomas Ferguson
Director

EXECUTIVE SUMMARY

The purpose of the Bureau Strategic Plan is to present the strategies that will be used to accomplish its mission over the next five years. The plan defines the BEP's core businesses, emphasizes key strategies to achieve business objectives, and provides measures to determine success. The components of this plan are presented in the following pages and include the core manufacturing goals of the Bureau, as well as its supporting goals.

At the center of the plan is the Bureau's core mission – to manufacture the quantity and quality of currency and postage stamps that the customers require. The Bureau's commitment extends beyond demand projections to providing products of value with quality features required by all customers. The plan has specific measures regarding product durability and circulation of currency notes in the economic system; e.g., fewer notes returned because features do not function as intended in the cash system. It also has measures describing the contribution of currency design features to reduce counterfeiting.

Integral to the plan are the resources that enable the Bureau to meet the projected design, quality, and quantity requirements for its products over the next five years. These relate to security and accountability, and to asset management. In the security and accountability resource area, accountability procedures and practices will be enhanced. The Strategic Plan also emphasizes modernizing and strengthening the Bureau's infrastructure through facility renovations, expansion for process modification, production equipment upgrades and replacement, and environmental control system upgrades and expansion.

Two other key resource areas that are critical to accomplishing the Bureau's quality and quantity manufacturing goals are information technology (IT) and human resources. Achievement of the Bureau's IT goals will enhance both employee and overall Bureau productivity, and increase the efficiency and effectiveness of the Bureau's production, financial and accountability systems. The human resources components of the plan will maintain a skilled and motivated workforce.

The strategic plan is broken down into annual plans that support the five year goals, provide short term program and policy direction, and measure progress towards achieving the Bureau's overall strategic vision.

Organization of the Strategic Plan

This Strategic Plan covers years 2000-2005. Section 1, Overview of the Bureau of Engraving and Printing, presents historical and current information on the functions of the Bureau. Section 2 lists our Vision and Mission Statements. Section 3, Strategic Goals, lays out our 5 goals and details what they are, how we plan to achieve them and how we will measure our success on an annual basis. Section 4, Management Strategies, puts the strategic goals in the context of our overall management philosophy with respect

to crosscutting programs. Section 5, Strategic Planning Process, discusses the formulation and purpose of the plan. Section 6, Measuring Performance, discusses the program evaluations we have done and intend to do to improve our planning process and the linkage of the Annual Performance Plan to the Budget. Section 7, External Factors Affecting BEP, considers economic, political, and technological trends beyond our direct control but for which we can make educated predictions about the effect on our operations. Section 8, Cross-Cutting Issues, discusses those issues that transcend our bureau and our coordination of those activities. Section 9, Consultation with Stakeholders, details our relationship with our customers and the public and what efforts we have made to create satisfied customers and stakeholders. This section also describes our process in obtaining employee satisfaction data. Section 10 describes the steps to disseminate the Strategic Plan.

Section 1

OVERVIEW OF THE BUREAU OF ENGRAVING AND PRINTING

The Bureau of Engraving and Printing has been in operation for more than 139 years. Created by an Act of Congress in 1861, the Bureau came into existence a year later to print federal paper currency starting with one dollar and two dollar currency notes. Housed in a part of the south wing of the Treasury Building, the operation flourished and by 1880, had outgrown its location. The next home of the Bureau was at 14th and Independence Avenue (now the Auditor's Building) and was specially constructed to be fire proof and secure. In 1894, the Bureau began printing postage stamps and other security documents and moved again in 1914, to its current Washington home at 14th and C Streets. S.W. In 1938 the Annex Building was completed and in 1990, the Western Currency Facility in Fort Worth, Texas was completed. As BEP has progressed through these facilities, it has adapted to many varieties of silver, gold, Treasury, and eventually Federal Reserve notes. New Currency Design (NCD) notes, which are the most sophisticated so far, retain much of the flavor of the "greenback" while incorporating advanced counterfeit features. The Federal Reserve and the U.S. Postal Service are the Bureau's primary customers, accounting for over 97% of all revenue.

The Bureau also provides services directly to the public. The tour of BEP manufacturing operations and the Visitor's Center are among the most popular attractions in the Nation's Capital. The Bureau sells uncut currency sheets and other specialty items by mail, via the Internet, and at the Visitor's Center. It also processes claims for redemption of damaged paper currency.

The current manufacturing facilities in Washington, D.C. and Fort Worth, Texas employ approximately 2600 individuals. Revenue from sales of products in 1999 was 453 million dollars. In 1999, approximately 52% of the total U.S. currency order (11.36 billion) was printed in Fort Worth and 48% in Washington. The Bureau printed all of the 1999 stamp order (18.9 billion stamps) in Washington.

The Bureau is a security printer. The customers and stakeholders expect the highest degree of security. The Bureau continues to maintain the high levels of security and seeks to improve wherever possible.

In addition to maintaining a secure environment, the Bureau incorporates counterfeit deterrence features into its products. The Bureau conducts extensive research into improving the security features of the currency as well as improving the durability and life expectancy of the notes. Additionally, the Bureau belongs to several international governmental organizations that share research and development data on banknote improvement.

The Bureau operates under a revolving fund and does not receive Congressional appropriations. Through product sales, the Bureau recovers the direct and indirect costs of operations, administration, and research and development, and generates sufficient funds for capital investment and to maintain working capital.

While manufacturing currency, stamps, and other printed securities is the core business, the production operations are highly dependent on the effectiveness of support processes such as security, procurement, information systems, financial management, product accountability, human resources management, engineering, research, product development, and maintenance. Only when these processes work in concert can the Bureau be responsive to the needs of its customers.

Section 2

BUREAU OF ENGRAVING AND PRINTING VISION STATEMENT

“To be a world class securities printer providing the public and our customer agencies superior products through excellence in manufacturing and technological innovation.”

MISSION STATEMENT

“To securely and efficiently produce United States currency, postage stamps, and other government securities that satisfy the current and future needs of the American public and the government agencies which serve them.”

Section 3

STRATEGIC GOALS

Five strategic goals, Customer Satisfaction, Quality Manufacturing, Counterfeit Deterrence, Security and Accountability, and Resource Management, have been established to guide the Bureau in achieving its mission. These strategic goals will guide

actions we need to take now and during the next five years. Success in accomplishing the strategic goals will be reflected in improved performance as measured by our annual performance over five years.

Strategic Goal I: Customer Satisfaction – *Satisfy the Federal Reserve Board, the Postal Service and the public by providing responsive service and quality products.*

Strategic Goal II: Quality Manufacturing – *Manufacture state-of-the-art currency and stamps of consistently high quality while improving productivity and cost performance.*

Strategic Goal III: Counterfeit Deterrence – *Produce state-of-the-art currency that deters counterfeiting, contributes to public confidence, facilitates daily commerce and extends the useful life of notes in circulation.*

Strategic Goal IV: Security and Accountability – *Ensure an environment of comprehensive security and accountability for the Bureau's personnel, facilities and products.*

Strategic Goal V: Resource Management – *Manage the Bureau's resources to increase efficiency and effectiveness in support of the other strategic goals.*

Strategic Goal I: Customer Satisfaction

Satisfy the Federal Reserve Board, the Postal Service and the public by providing responsive service and quality products.

Starting Point – The Bureau continually seeks feedback from its customers and has established standards of performance with both the Federal Reserve and the U.S. Postal Service. In addition, this year the Bureau established a steering committee to seek an International Organization for Standardization (ISO) 9001 certification for its quality system. Certification is anticipated in fiscal year 2001. This effort institutionalizes policies and procedures for assuring the quality of its product.

In 1999, the Mutilated Currency Program processed 29,000 claims and redeemed \$85 million of damaged currency. The Bureau responded to all inquiries and currency redemption claims promptly in compliance with standards that resulted in positive customer feedback.

Improvements in providing distinct and personalized attention to tour groups and the renovations to the tour facility made over the past two years resulted in a continued increase in the overall satisfaction with the Bureau tour (measured as greater than 85% in 1999).

Performance Goals:

Success in achieving the customer satisfaction goal will be measured by using the following performance goals:

1. Provide high quality currency required by the Federal Reserve Board in a timely and cost effective manner.
2. Improve the performance of U.S. currency notes in circulation.
3. Provide high quality postage stamps required by the U.S. Postal Service in a timely and cost effective manner.
4. Achieve a high level of public satisfaction with the tour, public sales, and currency redemption services.

Relationship between the Strategic Goal and the Performance Goal:

The first three performance goals capture the essence of the Bureau's commitment to its mission. The fourth performance goal acknowledges the Bureau's direct interaction with the public. It addresses the Bureau's role in educating the public regarding new currency design notes and currency production, in general. It also addresses the Bureau's responsiveness in redeeming mutilated currency notes submitted by the public.

How the Bureau will achieve these Goals:

The Bureau's capability to provide complete customer satisfaction is inextricably linked to successful achievement of its strategic goals related to manufacturing, counterfeit deterrence, security and accountability, and resource management.

The Bureau will:

- Meet the Federal Reserve Board's expectations for timeliness of currency deliveries.
- Meet or exceed the Federal Reserve Board's expectations for quality of currency notes.
- Assure that currency design changes facilitate the public's usage of currency through coordination and communication with the Federal Reserve Board and the manufacturers of automated vending and cash handling equipment.

- With the USPS as a partner, continue to pursue technological improvements to develop new stamp products that are the best value in the industry.
- Improve the safety and comfort of the BEP tour as well as its physical infrastructure in Washington D.C. and move toward constructing a tour in Fort Worth. Keep the educational displays current with design changes in the currency. Promote cooperative relationships with tour operators, school officials, and Congress.
- Improve the availability of souvenir sales items to the public through mail order, the Internet, and the Visitor's Center in Washington. D.C.
- Ensure compliance with currency redemption standards for timeliness and quality resulting in positive customer feedback.

External Factors:

External factors can impact the achievement of the Customer Satisfaction Goal. Trends in the usage of currency and postage stamps impact the volume of product and therefore the staffing, equipment and facilities of the Bureau. Tourism is impacted by economic conditions. Currency redemption services are impacted by exogenous factors such as fire, floods and other disasters, which result in significant increases in the amount of mutilated currency sent for redemption by the public.

Customer Satisfaction Performance Goal and the Annual Performance Measures:

The following performance indicators will track progress toward the strategic goals and will support each performance goal. These performance indicators will be fully developed in the Bureau's Annual Performance Plan. To illustrate the relationship between these measures and the performance goals they support, the following table is provided.

<u>Performance Goal</u>	<u>Performance Indicator/Measure</u>	<u>Source of Data</u>
Provide currency to FRB	Meet requested delivery orders	BEP/FRB
Improve performance of US currency notes in circulation	Productive meetings on technical information exchange with FRS and equipment manufacturers prior to issuance	BEP/FRB
Provide postage stamps to Postal Service	Meet requested delivery orders	BEP/USPS
Public satisfaction with the Tour, Public Sales, and Currency Redemption services	Meet or exceed best practices in customer responsiveness	BEP

Strategic Goal II: Quality Manufacturing

Manufacture state-of-the-art currency and stamps of consistently high quality while improving productivity and cost performance.

Starting Point – The Bureau’s commitment to quality is institutionalized by seeking ISO 9001 certification. During 1999, overall productivity increased by 16% as the Bureau produced a record 11.4 billion currency notes. Costs per unit were below the projected standards for both currency and postage stamp manufacturing. Total operating costs decreased by over 13%, much of this due to a reduction in General and Administrative costs.

The Bureau has now installed electronic inspection equipment on all printing presses, both currency and stamps.

Performance Goals:

Success in achieving this strategic goal will be measured by the successful completion of the following performance goals:

1. Improve the quality, productivity, and cost-effectiveness of the Bureau’s core manufacturing processes.
2. Total conversion of notes above \$1 and all stamps to electronic inspection by the year 2002.

Relationship between Strategic Goal and Performance Goals:

The performance goals support the strategic goal, focusing the Bureau on maintaining its strategic edge as a high volume, low cost provider of currency and stamps.

Implementation of new technology is a key element to achieving the strategic goals.

How the Bureau will achieve these Goals:

The Bureau will:

- Continue to invest in new technology that will ensure continued increases in the quality of manufactured products, provide for increased productivity, and assure our ability to meet Federal Reserve and USPS requirements.
- Effectively operate electronic currency and stamp inspection systems.

- Ensure the presence of a skilled workforce by identifying key skills, estimating attrition rates, and developing recruitment and training programs.
- Focus on the safety of BEP personnel and develop ergonomic solutions for the work environment.

External Factors:

There are a number of factors beyond the control of the Bureau of Engraving and Printing which can have an effect on attainment of the manufacturing strategic goal. (For further detail, see Section 7).

\$1.00 Coin – The introduction of a \$1.00 coin as an alternative to the \$1.00 note may have an impact on currency note demand depending on public preference. Any sudden change in the size of the currency order would have an impact on plant and equipment utilization, productivity, unit cost, retained earnings, assignment of employees, and overtime usage. However, with a reasonable lead time, the Bureau will be able to accommodate any change in the currency program.

USPS Policy – The USPS policy is to maintain a number of private sector suppliers as well as to secure a steady source of supply of postage stamps produced by BEP. The total demand for stamps is declining. This trend is expected to continue as alternate communication technologies become more prevalent, such as electronic postage technologies (the E stamp, for example).

Interruption of Supplies – The Bureau has undertaken an extensive continuity of business/contingency planning process. This will result in strategies to minimize risk and disruption and ensure the continued supply of currency and postage stamps.

Counterfeiting Threats – A serious increase in counterfeiting within the United States or a crisis of confidence abroad caused by counterfeiting of U.S. currency could require a level of production that could tax the production capacity of the BEP.

Electronic Cash – As electronic cash becomes more widely accepted and used, it could significantly offset currency note demand.

Potential Dollarization – Dollarization, or replacement of a country's "money base" with U.S. currency, would increase the BEP's level of production.

Euro – On January 1, 2002, circulation of Euro banknotes and coins is scheduled to begin. The euro has the potential to become a world currency. It may create an alternative to the U.S. dollar in its role as an international unit of account and reserve currency.

Smart Cards – These have been used on a small scale in universities, transportation systems, and other venues and have the potential to significantly affect the use of cash for many transactions.

Manufacturing Performance Goals and the Annual Performance Measures:

One or more key performance indicators that will track progress toward the strategic goals will support each performance goal. These performance indicators will be fully developed in the Bureau's Annual Performance Plan. The following table provides an overview to illustrate the relationship between these measures and the performance goals they support.

<u>Performance Goal</u>	<u>Performance Indicators/Measure</u>	<u>Source of Data</u>
Improve the quality, productivity, and cost effectiveness of the Bureau's core manufacturing processes	Meet projected costs for currency	BEP
	Meet projected costs for stamps	BEP
	Meet annual quality goals	BEP
	Meet annual goal of number of notes returned by Federal Reserve due to manufacturing defects	FRB/BEP
	Meet annual goal of number of stamps returned by the Postal Service due to manufacturing defects	USPS/BEP
	Meet annual goal of number of notes returned by the Federal Reserve due to counterfeit deterrence defects	FRB/BEP
Total conversion of notes above \$1 and all stamps to electronic inspection by 2002	Percentage of currency and stamps that are electronically inspected	BEP

Strategic Goal III: Counterfeit Deterrence

Produce state-of-the-art currency that deters counterfeiting, contributes to public confidence, facilitates daily commerce and extends the useful life of notes in circulation.

Starting Point – Working with the Federal Reserve Board, the Bureau's technology development and investment strategy has focused on continuous currency design enhancements to improve counterfeit deterrence and the security of the Nation's currency. The Bureau is currently actively engaged in the development of a new design for the next generation of currency notes which would be ready for circulation in 2003.

The newly designed \$5 and \$10 notes were introduced this year. The Bureau worked with the public sector and public mass transit agencies to ensure a smooth introduction of new notes. The redesigned notes incorporate features to thwart technological advances available to counterfeiters and incorporates large numerals to aid the visually impaired.

Performance Goals:

Success in achieving this strategic goal will be measured by using the following performance goals:

1. Identify and evaluate improved features consistent with the needs of the Federal Reserve Board and Bureau capabilities.
2. Design and develop state-of-the-art counterfeit deterrent notes that meet stakeholders' requirements for currency that functions reliably in the cash system.
3. Improve the circulation life of notes.

Relationship between Strategic Goal and Performance Goals:

The first performance goal captures BEP's commitment to research and development. The second goal supports the nation's need to deter the crime of counterfeiting and to uphold the public faith in its currency. The third performance goal extends the impact of goals one and two, and reduces system costs to the primary customer.

How the Bureau will achieve the Strategic Goal:

In carrying out its highest priority, BEP will continue its activities intended to meet the needs of the public for counterfeit deterrent U.S. currency.

The Bureau will:

- Upgrade the capability of BEP to produce new currency designs which include state-of-the-art security features.
- Emphasize research in counterfeit deterrence.
- Promote public-private partnerships with the reprographic industry to inhibit copying of U.S. currency.
- Build on our domestic and international partnerships to continually strengthen security competence and suppression of counterfeiting worldwide.
- Identify and implement state-of-the-art processes for the production of new counterfeit deterrent features.

- Improve communication with companies that manufacture equipment and systems that process currency.
- Strengthen our enforcement liaisons to promote maximum suppression of counterfeiting.
- Provide forensic services to enforcement entities and assist in counterfeit deterrent activities worldwide.
- Work with customers and stakeholders to coordinate the development of next generation designs for U.S. currency.
- Provide public education information and materials to worldwide users of currency.

External Factors:

External factors can impact the achievement of the Counterfeit Deterrence Goal. Paramount among these factors is the development and widespread proliferation of digital devices that can be used in counterfeiting security documents. The rapid pace of development and proliferation of imaging/copying hardware and software technology challenges the producers of secure documents to keep pace.

Another challenge grows out of the need to maintain the highest levels of confidentiality regarding new counterfeit deterrence technologies while operating within the context of an open Federal environment.

Counterfeit Deterrence Performance Goals and the Annual Performance Measures:

One or more key performance indicators that track progress toward the strategic goals will support each performance goal. These performance indicators will be fully developed in the Bureau's Annual Performance Plan. To illustrate the relationship between these measures and the performance goals they support, the following table provides an overview.

<u>Performance Goal</u>	<u>Performance Indicator/Measure</u>	<u>Source of Data</u>
Identify improved features consistent with recommendations made by the Federal Reserve Board	Offer ACD Steering Committee viable options for review and ultimate decision by the Secretary	BEP/FRB
Design and develop state-of-the-art counterfeit deterrent notes that function reliably in the cash system	Approved design features implemented on schedule	BEP

Improve circulation life
of notes

Provide alternate substrate for policy
consideration by 2002

BEP

Strategic Goal IV: Security and Accountability

Ensure an environment of comprehensive security and accountability for the Bureau's personnel, facilities and products.

Starting Point – The Office of Management Control developed enhanced procedures for accountability for currency printing and processing in 1999, which have given managers and supervisors in these areas greater control and accountability. The detailed procedures will also assist in the Bureau's pursuit of the ISO 9001 certification.

The expanded use and sophistication of the Closed Circuit Television (CCTV) for product security has reduced the Bureau's vulnerability to theft. There were no incidents of theft of currency during FY2000. Discrepancy in shipments was only .0026 notes per one million notes. There were no reported discrepancies due to internal losses or theft.

The Bureau has successfully completed implementation of the 1994 Secret Service Study's 432 recommendations to improve the physical protection of the Washington, DC facility and the physical protection of its security products. These improvements have reduced the Bureau's vulnerability to the loss and theft of currency during FY 2000. The Bureau is also working to implement and verify the recommendations resulting from the 1996 Secret Service Study at the Western Currency Facility.

Performance Goals:

Success in achieving this strategic goal depends on achievement of the following performance goals:

1. Enhance technical capability of the product accountability system.
2. Ensure that product accountability is consistently monitored and verified by management.
3. Ensure physical security of BEP property, employees, and products.

Relationship between Strategic Goal and Performance Goals:

The first performance goal recognizes the need to continually improve our processes and stay abreast of current technology so that we will be positioned to meet the future needs of our customers. The second performance goal recognizes the need to continually monitor our procedures to ensure that all security items are accurately controlled and accounted for. The third performance goal supports our core mission to produce

securities that meet the needs of the American public and our customers. This is reinforced by a measurement of the accuracy of our shipments based on data provided by our primary customer. This is reinforced by a measurement of the accuracy of our shipments based on data provided by our primary customer through external security reviews of our procedures.

How the Bureau will achieve the Strategic Goal:

As the printer of all United States currency, the Bureau has a responsibility to the American public with respect to the custody and safeguarding of its assets and high value items. In carrying out this responsibility, the Bureau will continue its comprehensive product accountability program while endeavoring to identify and implement potential enhancements to its current programs and systems. To accomplish these, the Bureau will:

- Continue to vigorously monitor all stages of currency production on a continuous basis.
- Coordinate with customers and stakeholders to investigate and resolve shipment discrepancies.
- Improve the reliability of existing accountability equipment through a comprehensive maintenance and testing program.
- Identify, procure and implement state-of-the-art, cost-effective accountability system enhancements.
- Document existing accountability procedures in detail and make them available on-line to all Bureau personnel.
- Tie the consequences of noncompliance with accountability procedural requirements to the BEP Table of Offenses and Penalties.
- Use all effective means available to improve internal control procedures and practices in the areas of physical, product and personnel security, and inhibit the occurrence of security violations.

External Factors:

Production process changes may be required in the future to support new customer requirements. Security and accountability systems may need to be modified.

Product Accountability Performance Goals and the Annual Performance Plan:

One or more key performance indicators relating to each performance goal will track progress toward the strategic goal. These performance indicators will be fully developed in the Bureau's Annual Performance Plan. The relationship between the performance goals and performance indicators is illustrated below.

<u>Performance Goal</u>	<u>Performance Indicator/Measure</u>	<u>Source of Data</u>
Enhance technical capability of the product accountability system	Zero tolerance for product accountability procedure violations and enforce penalties	BEP
Ensure that product accountability is consistently monitored and verified by management	Periodic reviews of accountability and access control and alarm monitoring systems	BEP
Ensure physical security of BEP products delivered	Meet goal for shipment discrepancy rate	FRB
Ensure physical security of BEP products delivered	Meet goal for shipment discrepancy rate	USPS

Strategic Goal V: Resource Management

Manage the Bureau's resources to increase internal efficiency and effectiveness in support of the other strategic goals.

Starting Point – The Bureau will continue to invest in state-of-the-art technology to enhance the Bureau's ability to meet future programs. For example, in FY 2000, the older printing and processing equipment in Washington, DC was substantially upgraded. In keeping with today's new information technology requirement for strong internal controls, BEP is currently addressing such issues as Public Key infrastructure, digital signatures, and encrypted telecommunications. Also, BEP will continue to use and improve its Management Information System (BEPMIS), which is an on-line, real time integrated enterprise resource planning system that maintains financial and manufacturing information while ensuring product accountability at both facilities.

To support the Bureau's highly technical operations, the BEP Center for Excellence was formed in response to advancing technology and the need to prepare BEP employees for such changes. The Center is responsible for providing BEP employees with assistance in all of their training and developmental needs, including health, safety, and environmental awareness.

Performance Goals:

Success in achieving the Resource Management Goal will be measured by the following:

1. Enhance computer systems security to protect the integrity, confidentiality, and availability of information and systems on which BEP relies.
2. Enhance the Bureau's ability to meet future programs by effectively managing the equipment needed for future processes and real property to assure adequate manufacturing and administrative facilities.
3. Formulate a BEP Enterprise Architecture Framework for currency which will provide a basis for review of IT investments to ensure compatibility with the Treasury Information Systems Architecture Framework and the requirements of the Clinger-Cohen Act.
4. Continue to implement office automation technologies to include: electronic access to and processing of public use forms, workflow and transaction processing, document/records management, and imaging.
5. Ensure that the Bureau's workforce is effectively deployed and fully trained for highly complex operations.
6. Ensure our capability to provide reliable and timely financial information for executives and program managers and improve productivity and effectiveness of financial systems.

Relationship between Strategic Goal and Performance Goals:

These performance goals support the Bureau's management of its resources that support its core manufacturing business. The first and second emphasize security and management of fixed assets, including buildings and equipment, and working capital. Included are long- and mid-term investments and plans designed to ensure adequate productive capability to meet customers requirements. The third and fourth goals reflect the Bureau's long-term commitment to integrate information systems with business processes and requirements for more effective and efficient planning and operations. The fifth goal recognizes that skilled and motivated employees are prerequisites to the accomplishment of all other goals. Achievements related to the final goal will provide crucial and timely financial information to managers to use in making program decisions.

How the Bureau will achieve the Strategic Goal:

The prudent management of Bureau assets will provide both the resources for effective business program accomplishment and the ability to maximize security, safety, and customer satisfaction. The Bureau will:

- Develop a facility and equipment plan that will enable the Bureau to accommodate future customer requirements in a secure and efficient manner.
- Continue long- and mid-range capital planning so as to ensure the best and most effective use of capital funds.
- Implement apprenticeship programs and recruit as necessary to fill key positions to ensure an adequate supply of skilled craftspeople.
- Recognize employee contributions to the successful accomplishment of the Bureau's mission.
- Enhance our training programs in environmental, safety, and quality programs, and in professional development.
- Continue to improve financial systems and controls, where necessary, and develop ways to provide improved financial feedback to managers.
- Develop an information system architecture that is based on and supports the core business processes.
- Conduct a pilot program for equipment replacement aimed at planning/budgeting for a consistent level of capital expenditures, lowering maintenance costs and increasing productivity.

External Factors:

Most of the factors affecting the asset management program are internal to the Bureau. In fact, asset management improvements have been a high BEP priority for many years. However, these efforts may be affected by OMB apportionment decisions, political considerations, changes in customer requirements, or statutory and regulatory requirements, such as those relating to the environment or safety and health.

Resource Management Goals and the Annual Plan:

One or more key performance indicators that will track progress toward the strategic goal will support each performance goal. The performance indicators will be fully developed in the Bureau's Annual Performance Plan.

<u>Performance Goal</u>	<u>Performance Indicator/Measure</u>	<u>Source of Data</u>
Enhance computer systems security to protect the integrity, confidentiality, and availability of information and systems on which BEP relies	Meet schedule to update, publish, and distribute computer systems security plans for major applications and general support systems	BEP
	Meet schedule to identify and assess BEP's cyber and non-cyber critical infrastructure relative to Critical Infrastructure Protection (CIP) and remediate accordingly	BEP
	Meet schedule to procure and implement a Virtual Private Network (VPN) for executive and managerial access to BEP Mail, eliminating the need for unreliable source dial-up modems	BEP
Enhance the Bureau's ability to meet future programs by effectively managing the equipment needed for future processes and real property to assure adequate manufacturing and administrative facilities	Capital acquisitions in accordance with asset management guidelines	BEP
	New equipment procurements tied to Strategic Plan goals	BEP
	Ft. Worth and Washington facilities modifications are linked to Strategic Plan and timed to equipment installation	BEP
	Projects approved by the Capital Investment Committee are fully funded	BEP
Formulate a BEP Enterprise Architecture Framework for Currency which will provide a basis for review of IT investments to ensure compatibility with the Treasury Information Systems Architecture Framework and the requirements of the Clinger-Cohen Act	Projects completed within budget and on schedule	BEP
	Characterize baseline architecture for the Bureau's currency business enterprise	BEP
	Develop target architecture incorporating baseline and mission requirements	BEP
Continue to implement office automation technologies to include: electronic access to and processing of public use forms, workflow and transaction processing, document/records management, and imaging	Develop transition plan, including migration plan to target architecture	BEP
	Implement process for electronic signatures which addresses requirements for document encryption	BEP
	Review and assess BEP electronic document and record management system and imaging requirements, given our existing network architecture, and provide recommendations regarding "best-fit" systems, given legislative and regulatory requirements	BEP
	Procure and implement a "best in class" electronic document/records management system with enterprise-wide imaging capabilities	

Ensure the Bureau's workforce is effectively deployed and fully trained for the Bureau's highly technological operations	Develop Human Resources needs inventory of required skills and meet 100% of the target	BEP
	Develop a competency-based training curriculum	BEP
	Maintain goal sharing program based on program performance	BEP
	Reduce the number of lost-work day accidents by 10%	BEP
Ensure our capability to provide reliable and timely financial information for executives and program managers and improve productivity and effectiveness of financial systems	Obtain an unqualified opinion on annual financial statement audits	BEP

These goals have been drawn directly from the mission statement, and build on one another. The Bureau must successfully manage its resources in a manner which enables us to securely and efficiently manufacture securities so that we can satisfy our customers. These broad and comprehensive goals allow the Bureau to develop comprehensive objectives as well, creating a planning environment which is flexible, and can meet new challenges.

Section 4

MANAGEMENT STRATEGIES

The Bureau's management strategies create an environment conducive to implementing and accomplishing strategic goals. They embody fundamental management functions that cross directorate responsibilities and relate to each strategic goal. The strategies relate to Human Resources, Research and Development, Information Technology, and Business Processes.

Human Resource Strategy

Management is committed to enhancing the skills of the Bureau's highly-trained, specialized workforce to meet its the needs of the 21st century. To maximize the Bureau workforce's capabilities as a flexible, diverse, and efficient resource, the BEP is committed to pursuing several approaches.

The first is to maintain a continuous learning environment by enabling all BEP employees to build the job competencies, computer and technology capabilities, work management skills, and flexibility required to achieve the Bureau's strategic goals. The

BEP will ensure that institutional knowledge is maintained through effective recruitment and succession planning programs.

The second is to continue to build a unified, cohesive relationship between management and the Joint Labor Council, which is composed of representatives of 19 bargaining units. This partnership will effectively drive improvement at BEP (e.g., through the development of employee programs, safety and health initiatives, and employee recognition linked to program outcomes through a Bureau-wide goal sharing program). The partnership will also support development of consistent labor agreements and practices.

The third is to realign Human Resources (HR) programs around the business needs of the Bureau through implementation of technological solutions to human resources issues, especially via the installation of an effective Human Resources Information System (HRIS) structure, and through the development of a “generalist” capability to provide a “full service” Human Resources program.

Research and Development Strategy

The Bureau’s mission is to manufacture United States currency and other documents which meet the needs of customers, are secure, and are produced in a cost-effective manner. In order to accomplish this mission, it is necessary for the Bureau to look ahead at technological trends and issues and continue to upgrade its capability in applied research. The BEP strategy to accomplish this is to identify state-of-the-art developments in currency and postage stamp production worldwide and to incorporate that information in its technical knowledge base. Although much of the secure document innovation comes from the private sector, there are some technical areas that do not provide business incentive for involvement by private companies. In those cases, the Bureau intends to identify and fund basic research which is necessary to further the sophistication of its products.

In implementing this strategy, the Bureau pursues knowledge partnerships with the Pacific Rim and 4-Nation countries (England, Canada, Australia and the U.S) on currency improvements and with the Government Postage Stamp Printers Conference on postage stamp improvements. The Bureau also contracts for applied research with the U.S. Government’s national laboratories and with public and private institutions of higher learning. These activities ensure that the Bureau is taking a long-term look at product and process improvements in order to respond to the evolving needs of its customers.

Information Technology Strategy

The Bureau will continue to leverage Information Technology (IT) in support of U.S. currency production. To this end, the BEP is in the process of contracting for a 4-phase study on its enterprise IT system architecture, in consonance with requirements set forth

in the Information Technology Management Reform Act of 1996 (i.e., “Clinger-Cohen”). This study will: (1) document the Bureau’s current architecture; (2) assess and document the Bureau’s business requirements and objectives relative to information technology; and, (3) recommend a modularly designed system architecture to meet specified business requirements and objectives, which optimizes performance and manageability, and provides for scalability, high network availability, data integrity and security, while minimizing the capital cost of operating platforms and networks. The study will also provide a recommended plan whereby the Bureau can more easily transition to the recommended enterprise system architecture with minimal disruption on current operations. Particular attention will be devoted to ensuring that the Bureau’s accounting, financial, accountability, and asset management systems are designed, implemented and maintained to provide for required financial and program performance data for audited financial statements.

Additionally, relative to office automation technologies, the Bureau is embarking on implementing the “paperless office,” in consonance with the precepts set forth in the Government Paperwork Elimination Act. To this end, the Bureau is currently in the process of deploying electronic forms and workflow to increase administratively-related productivity, employee efficiency and agency effectiveness. In concert with both of these initiatives, BEP will also implement the use of Public Key Infrastructure (PKI) electronic signatures, which can be used to implement electronic commerce.

The Bureau is also exploring electronic document and records management systems, which are compatible with BEP’s existing Microsoft Exchange environment, that will facilitate “knowledge management.”

In order to enhance employee productivity and services, the Bureau is working to expand and fully implement the corporate Intranet. The Bureau Intranet site, “InSite,” is being developed for the purpose of bringing critical information and services to employees using web-based technology. This includes human resource services such as job vacancy postings and Employee Express; the management and delivery of training opportunities via the web; information services such as special reports and monthly publications; and, the secure retrieval and update of traditional corporate data resources via a web browser. Kiosks that provide convenient access to these resources are being deployed at various sites throughout the Bureau.

Business Process Strategy

The Bureau is financed by means of an industrial revolving fund established in 1950 in accordance with Public Law 81-656. Operations are conducted on a business-like basis, with revenue from product sales used to reimburse the fund for all direct and indirect operating costs, including administrative expenses. Additionally, in 1977, Public Law 95-81 authorized the Bureau to include in its product prices amounts to fund capital investment and to meet increasing working capital requirements. Consequently, the Bureau’s operating and capital budgets are directly funded through revenue generated by

the sale of products and services to agencies of the Federal Government, principally to the Federal Reserve and United States Postal Service.

The Bureau maintains a sophisticated, commercial-type cost accounting system to maintain costs and develop billing rates. Each year, projections are made by analyzing actual costs for labor, materials, and services, their historical trends, and expected changes in price and productivity factors. Actual costs are reviewed to ensure conformance to plan and adjustments are made when necessary. Since the Bureau's only source of revenue is through the sale of products and services, meeting established spending plans and performance cost goals is extremely important.

The Bureau has a responsibility to the American public and the government agencies it serves to make the best use of resources in order to maximize productivity and minimize costs. The Bureau has a robust system for maintaining control of operating results and pursues a capital investment strategy consistent with the Strategic Plan with proposed investments reviewed by the Bureau's Investment Review Board.

Section 5

STRATEGIC PLANNING PROCESS

Purpose of Strategic Planning

Purpose of this Plan

This Strategic Plan was developed to ensure that Bureau of Engraving and Printing securely and efficiently:

- Satisfies customers by meeting their changing requirements now and in the future.
- Responds to changes in technology which affect both customer requirements and our ability to produce new and improved products with increased efficiency and cost effectiveness, and
- Meets the expectations of the American people for more effective and accountable government.

Responding to Change

As a manufacturing organization dedicated to fulfilling customer requirements, short-term and long-term planning to identify customer needs have long been inherent in our business processes. Rapid advances in technology have changed our customers' expectations in areas such as counterfeit deterrence, electronic data interchange and product innovation. Technological changes continue to affect the way other government

agencies, private industry, and we operate our businesses. The American public expects better service and more efficient operations from government organizations at all levels. Meeting these demands requires better strategic and tactical planning and better ways to measure performance.

GPRA

The Government Performance and Results Act of 1993 (GPRA) mandates that all government agencies develop strategic plans, outcome-based performance measures and annual performance goals and that strategic plans drive the budgeting process. The Bureau of Engraving and Printing has participated in a government-wide pilot program to implement GPRA's requirements for planning and performance management.

Previous Strategic Planning Efforts

In 1989, the Bureau embarked on its first round of strategic planning, producing strategic and tactical plans covering the years 1991 through 1995. A second round in 1993, produced "BEP 2000," a plan to meet expanded capacity requirements for the currency program through equipment acquisition, reconfiguration of work units, and team-based management. In March 1996, a new strategic plan was developed which addressed the requirements of the Government Performance and Results Act and covered the years 1997-2002. This current plan is a revision of the 1997 plan and sharpens our focus on core business and support processes.

Section 6

MEASURING PERFORMANCE

The Bureau is an organization that relies on measurement of its performance. As a manufacturing enterprise, BEP management requires continuing feedback on cost, operational performance, effectiveness, and efficiency. These are elements that are demanded by customers. Performance measurement is therefore part of doing business and involves the entire organization. This section discusses the most significant performance measurement activities in two sections; 1) Program Evaluations and 2) Linkage of the Strategic Plan to the Annual Performance Plan and to the Budget.

Within the broad subject areas, the Bureau is concerned with the performance of all levels of the organization. Therefore, measures exist at three levels: the overall organization, individual components, and individual employee. At the organizational level, the measures directly link to the strategic goals. These measures provide feedback on the Bureau's accomplishment of its mission. The second level of measure is related to the activities of individual organizational components. Finally, a strategic planning performance element is incorporated in Bureau executives' individual performance plans. This ensures that BEP employees will be accountable for supporting the strategic planning process.

Program Evaluations

BEP conducts evaluations to provide valid and reliable information for measuring and improving performance. They are a collection of data composed of customer surveys, external reviews and internal evaluations.

Treasury OIG Report on BEP Strategic Planning

The Bureau's strategic planning process has been evaluated only once by an organization other than the Departmental planning staff. In May 1997, the Treasury Office of Inspector General issued an "Assessment of the Bureau of Engraving and Printing's Strategic Planning Process." The report identified considerable strengths of the process and identified certain enhancements that could benefit the process as BEP further refines its strategic plan.

The process strengths identified were:

- committed executive leadership and program management involvement;
- fundamentally sound strategic planning process, with comprehensive and rational planning cycles;
- extensive and closely aligned information resources management and strategic and operational plans; and
- a well developed BEP 2000 communication strategy.

The principle enhancements suggested included a closer relationship with customers and stakeholders, including more consultation on major expenditures. Similarly, the report suggested acquiring more current survey data on the organizational climate/employee satisfaction/attitude. In regard to the manufacturing program, the OIG felt that a more effective and proactive approach to forecasting currency and postage stamp demand and the addressing of costs as a key customer satisfaction factor were important. Finally, the report suggested that the Bureau should more clearly link tactical planning/goal accomplishment to the performance appraisal system.

Although the Bureau was acting on several of those suggestions at the time of the report, efforts have intensified since then to ensure that the strategic planning process reaches its full potential. The Bureau discusses major expenditures, whether on equipment or materials, with its customers. The Federal Reserve and the Bureau continue to work very closely together on counterfeit deterrent technologies, which require more costly materials, in order to ensure that the customer's goals are met. In this case, this means that the Bureau is responsive to the major, Advanced Counterfeit Deterrence, concern, but continues to produce a more complex product at the best possible price. The Bureau coordinates product development activities as well as approval for procurement of major pieces of equipment with the U.S. Postal Service. The Bureau has also performed several customer satisfaction surveys and solicits regular customer feedback on issues such as quality, service, and price. In regard to employees, the Bureau set up several ongoing

“internal communication” groups, which provide employee representation on Bureau issues.

Cost and program forecasting suggestions have likewise been implemented. Cost is now a key customer satisfaction indicator. Cost-effectiveness is an issue in both major customer programs, although currency costs rise as the complexity and technological sophistication of the Federal Reserve requirements increase. The Bureau is continuing to enhance its forecasting ability and participates as a partner with the Department of the Treasury, the Bureau of the Mint, and the Federal Reserve Board in developing a coordinated and realistic forecast for coin and currency over the next decade.

The final suggestion involved a link of strategic planning to performance of Bureau personnel. Strategic planning elements are now, and will continue to be, a part of all performance plans for BEP executives.

Security and Accountability

The following reviews and analyses by Bureau personnel played a key role in developing our security and accountability performance goals. These analyses were used to assess current levels of performance and to identify areas where performance could be enhanced.

- 1.) Sheet Accountability Load Analysis
- 2.) Compliance Reviews
- 3.) Trend Analyses of BEPMIS Data

The sheet Accountability Analysis evaluated the reliability of various equipment (counters, sensors, etc.), on presses and examining equipment. This evaluation along with preliminary evaluation of equipment maintenance policies and practices led to the development of the performance goal, “Enhance technical capability of the product accountability system.”

Compliance reviews conducted in the operational areas and regular trend analyses of key data and transactions in the Bureau of Engraving and Printing’s Management Information System were used to gauge employee compliance with accountability and security procedures. The results of these reviews were used to develop the second security and accountability performance goal, “Ensure that product accountability is consistently monitored and verified by management.”

In order to enhance our ability to monitor compliance, the Office of Management Control undertook an extensive effort to analyze existing accountability procedures, to directly observe operations, and to write detailed accountability procedures for each phase of currency operations. These detailed accountability procedures are the first to be placed on the Bureau’s Intranet and include hyperlinks to the manual forms and exhibits. The procedures are available on-line to Operations supervisors. In addition, hard copy segments, which detail the responsibilities of a particular job title, were provided to the

appropriate individuals. This effort allows us to expand the breadth and depth of our current compliance reviews.

In addition to continuing to use these reviews and analyses over the next five year, the Office of Management Control is training its staffing the requirements of the International Organization of Standardization (ISO) 9001 certification. ISO 9001 requires detailed documentation of an organization's business processes. OMC will conduct detailed compliance reviews utilizing the new procedures.

Data Capacity Through IT

The Bureau's current information technology (IT) infrastructure, software, hardware, and telecommunications provides easy access to reliable cost and performance information. Integrated financial, manufacturing, and product accountability subsystems capture data at the source and provide timely access to accurate baseline, trend, and current information for planning, managing, and assessing performance. Computer security, computer contingency, and business continuity programs ensure continued access to reliable information.

Challenges include upgrading systems and integrating new technology to leverage IT in support of core business processes. Standard desktop configuration, centralized desktop systems management, and electronic forms are currently being implemented. New initiatives for business process analysis, and IT architecture review and planning will be used to set performance goals, specify criteria for evaluating IT investments and performance results to strengthen the management of information resources and enhance overall Bureau productivity.

Information technology plays an important role in implementing strategies to attain the Bureau's strategic goals. Assessments of the IT Program in terms of Clinger-Cohen Act requirements for IT investment portfolio management, results based management, and IT acquisition were used in setting the goals to align information systems in support of core business processes and identifying new office automation technologies to increase overall Bureau productivity. Strategies include assessment of the Bureau's core business processes and evaluation of IT architecture alternatives in order to meet business requirements, provide reliable cost and performance data, minimize risk, reduce cost, and set performance goals. The evaluation will provide a recommended plan for migration to the target environment. Program evaluations to assess performance and corrective actions and to identify potential opportunities are an integral component of the ongoing Strategic and Annual planning process. IT architecture evaluations will continue throughout the next five years.

The Bureau's financial management system is one component of its Enterprise Resource Planning System (ERP). The ERP includes financial management, material and production planning, shop floor control, inventory management, product accountability, and purchasing functions. All components of the ERP operate in an integrated, real time, database management environment. This ensures that data are entered once and are

subsequently available for use by all components of the ERP, thereby ensuring accuracy and consistency information.

Since establishment of the revolving fund in 1950, the Bureau has maintained a sophisticated, private sector type cost accounting system to provide cost and performance related information to program and executive management. This system has undergone continual improvement over the years to best meet the needs of Bureau managers as well as to incorporate changes and innovations in performance reporting and the cost accounting profession.

Data Capacity Using the Enterprise Resource Planning System

The operations of the Bureau are financed by means of a revolving fund established in accordance with the provisions of Public Law 81-656, August 4, 1950 (31 U.S. C. 5142). This fund is reimbursed by customer agencies for all direct and indirect costs of the Bureau, including administrative expenses. As a result, Bureau operations are self-financed, with operating and capital investment costs collected from customers through product pricing.

To support its mission, the Bureau maintains a sophisticated, private sector type, accrual accounting system to meet both financial and cost accounting requirements for financial reporting. This system is audited annually by a public accounting firm, with 1999 marking the fifteenth consecutive year that Bureau financial statements received an unqualified opinion. Included in the annual audit is a review of Internal Control over Financial Reporting.

Customer Service Program Evaluations

Performance reviews and assessments of the Bureau's service to its customers and customer satisfaction are regularly completed. A baseline has been established to use in measuring customer satisfaction levels. Periodic surveys and questionnaires are monitored to monitor progress. These results are directly related to the Bureau's strategic goals and are provided to managers and executives so that corrective action can be taken when warranted.

Agency Improvement Survey

A survey is currently being conducted of all Bureau employees to gauge their attitudes about the organization's leadership, training/career development, communication, employee involvement, diversity, security, and equal opportunity. Once the survey has been administered, focus groups will be convened to obtain more detailed information regarding employee concerns. The results of the survey and focus groups will be used to make recommendations for improvements and changes to those areas identified by the survey. Where appropriate, Management and Labor officials will work together to make those changes.

Management Challenges and High-Risk Areas

The Bureau began 1999 with six open audit recommendations issued by the Office of the Inspector General (OIG). During the year, 13 additional recommendations from seven OIG audit reports were added. The recommendations were the result of audits requested by the Bureau contracting officers and planned audits by the OIG.

Three recommendations pertained to contract issues and involved the planned acquisition of series, material or equipment. Ten recommendations involved program issues such as vault security, year 2000 compliance efforts, new equipment, and currency inspection systems. Fifteen of the recommendations were implemented or addressed in 1999 resulting in monetary benefits of more than \$5 million. The remaining recommendations will be addressed as appropriate.

Linkage to Annual Performance Plan and Budget

The strategic planning process is closely allied with the Bureau's budgetary process and it is the starting point for the generation of annual performance plans. The performance plans provide short-term goals for functional areas (offices or resource areas) which directly support the strategic goals. The performance track progress on the goals in the annual performance plans.

The strategic plan provides the overall framework for budget formulation at the Bureau. Performance goals, which are designed to ensure that the organization meets customers' requirements, are the result of coordination between the strategic planning manager and the budget officer as well as the components responsible for their achievement. Major capital and operating budget priorities are directly linked to the principle initiatives of the strategic plan.

Budget estimates are built on historical cost trends within the context of the budget year's customer orders. These estimates are adjusted to reflect the expected cost impact of the achievement of the performance goals supporting the strategic plan. For example, productivity goals provide the basis for projections of labor requirements from which accurate budget adjustments to historical labor cost trends can be made. Similarly, raw material requirements are determined based on historical trends, cost escalation factors, and projected program output levels. The budget estimate for raw materials is then adjusted based on "spoilage" goals for the program year. Since BEP must recover all of its costs, the performance goals must be achieved to ensure that costs stay within budget and are fully recovered through the billing rate for products delivered.

The foundation for the Bureau's capital investment plan is the strategic plan. The capital investment plan reflects the approved requests from resource managers based on BEP's long-term strategy and projected order levels. Capital requests must be accompanied by detailed business case analyses, which include a discussion of the linkage of the capital

investment plan to strategic goals. This ensures a coordinated approach to capital investment planning and ensures that investments support strategic priorities.

Linkage to Other Plans

Financial Plans

The Bureau's ability to undertake long-term, customer-driven strategies requires investment in facilities, equipment, and human resources. This, in turn, depends on our ability to generate sufficient earnings to fund current operations and planned improvements in processes and products. The Strategic Plan drives the Bureau's Five-Year Financial Management Plan and the Annual Capital Investment Plan.

IT Strategic Plan

The Bureau's Information Technology (IT) Strategic Plan also supports the BEP Strategic Plan by providing electronic information and telecommunications services. These, in turn, provide accurate, timely, and accessible performance data which are used for decision making at all levels. Priorities in the IT Strategic Plan will continue to support initiatives in the BEP Strategic Plan.

BEP 2000 Communication Strategy

Effective communication is essential for an effective planning and implementation process. The Bureau has improved internal communications through a number of initiatives and communication strategies.

Business Continuity Plan

The Bureau has developed a Business Continuity Plan which addresses those issues which threaten the production of currency and stamps for both of the Bureau's facilities. The plan develops responses to problems related to materials, facilities, and equipment.

STI Work Plan

The Advanced Counterfeit Deterrence (ACD) Steering Committee has developed a work plan which will direct the Bureau's efforts in the area of counterfeit deterrence for the next several years through the Securities Technology Institute (STI). The plan addresses research, testing, design implementation and outreach to other Federal agencies.

Section 7

EXTERNAL FACTORS AFFECTING THE BEP STRATEGIC PLAN

This section discusses the most salient and significant factors external to the Bureau of Engraving and Printing which affect its programs. As an organization with an active planning program, the Bureau tracks trends in the economy and the political realm and coordinates with its major customers to ensure that future equipment, material and personnel meet its requirements. As part of the Department of the Treasury, BEP is subject to many of the same external factors which affect all Executive Branch organizations. Even though BEP does not receive appropriations, it still is subject to Congressional oversight through apportionment and other types of hearings, GAO and OMB rules, regulations, and program reviews. However, as a manufacturing organization which recoups its operating expenses through the sale of its security products, the Bureau is also affected by technological trends in the security printing industry and economic factors which influence the Department of the Treasury and the Bureau's major customer, the Federal Reserve System.

The Bureau is the largest industrial plant in the central core in Washington, D.C. BEP also operates a currency manufacturing facility in Fort Worth, Texas, which produces about one-half of the nation's currency. Both cities are in EPA non-attainment areas for ozone and nitrogen pollutants. Introduction of new presses or processes which are necessary to meet customer needs are subject to rigorous regulatory processes, and must incorporate the best available control technologies. Although the Bureau has satisfied regulators to date regarding the installation of new equipment and processes and has greatly upgraded environmental controls of existing equipment, this is an area that must be constantly monitored. The Bureau monitors existing and new environmental laws and regulations, both on the local and the national level and works closely with local regulatory bodies in the District of Columbia and Fort Worth/Dallas to ensure that construction and operating permits are up to date. Planning for environmental controls for equipment and building systems is part of the Bureau's strategic and shorter-term capital planning process and capital acquisition.

Rapid developments in reprographic technologies and the increased access of the public to sophisticated design systems and widely available, highly capable computer-driven printing present counterfeiting challenges which may be as great or greater than threats from the traditional type of job shop counterfeiter. Innovation is necessary on the Bureau's part in work on counterfeiting issues with other Federal Agencies, in order to identify emerging technological threats and to develop research strategies to meet these anticipated threats. The analyses, which are necessary to identify the varieties of counterfeiting threats and to accurately assess the success of anti-counterfeiting devices employed in currency, can be accomplished only through "cross cutting" interagency cooperation among the BEP, US Secret Service, and the Federal Reserve System. The translation of conceptual counterfeit deterrents into manufacturing capabilities is often difficult and requires the Bureau to accurately assess internal factors such as equipment capability, materials suitability, and personnel training. In some cases, the Bureau is

“pushing the technological envelope” in designing, or acquiring, and integrating these complex technologies. BEP works with premier public and private institutions, including universities and Government laboratories, and with worldwide technical peers, such as the members of the Four Nation Group, in identifying challenges and pursuing ACD solutions.

The most direct and obvious external influence on the Bureau is the annual program orders from its customers. The Postal Service order is driven by their marketing strategies but the orders for specific types of stamps are placed with printers on the basis of competitive factors; the Bureau competes with printers in the private sector. Its decisions are cost and quality driven, with political overtones (allowing private companies equal access to Government contracts), and the Bureau's response can only be to ensure that it is technologically capable and maintains competitive pricing through efficient performance. The e-stamp (or electronic, on-line stamp) is an additional external factor which has recently been added to the postage stamp market that has implications for projection of stamp requirements. A number of firms are competing for the approval from the US Postal Service so that they may enter the e-stamp market. When one or more of these companies are approved, it is likely that their effect on stamp marketing may be greatest in the area of mass mailings. This is the program segment which would most directly affect the Bureau. As the BEP's share of the total postal program has dropped over the past few years, most orders have been concentrated in high volume coil stamps. The Bureau's strategic response to these issues has been twofold - cut costs to the maximum extent while maintaining volume and quality, and develop advanced products which have the potential to meet USPS needs. Internally, this strategy has meant reducing the staffing in the postage stamp program through attrition and buyouts while increasing productivity of people and equipment.

Currency is the Bureau's major business, with the program accounting for about 85% of its annual income. The volume of the annual currency order and the mix of currency denominations are influenced by a number of factors, some of which are within the control of the Federal Reserve System and some of which are not. However, many external factors influencing the volume of the annual order, whether they are controllable or not, can be predicted. This “ability to predict” is a result of the existence of a large number of tools and techniques for forecasting economic trends. However, “predictability” in this case is not necessarily “accuracy in prediction,” due to the variety of economic assumptions which form the basis of extant theory. Fortunately, there are some basic trends that can be tracked and used as indicators of future requirements. For example, the level of the annual Bureau order will increase as the Federal Reserve increases the M1 money supply, although generally at a lower rate. Inflationary trends, for example, generally would result in a larger currency order. Other factors which enter into the calculation of cash requirements are recurring cycles in the economy, both long term and seasonal (such as Holiday cycles).

Another significant factor is that U.S. currency is the world's currency, with perhaps 40 - 60% of all notes circulating overseas. Over the last ten years, there has been an increase in currency being shipped overseas, with Russia and Latin America being the greatest

recipients. However, there are counter trends recently – overseas demand has decreased slightly and may continue to do so when the Euro is introduced into circulation in 2002. Additional external effects on the requirements for currency include cash substitution mechanisms, such as smart cards and e-cash. These have the potential to replace a portion of currency note demand, although there has been no great effect to date.

Future currency requirements are projected by the Bureau, with the Federal Reserve Board staff, and the Department of the Treasury. Internal projections are shorter-term and are normally based on previous estimates, information on the quality of currency and circulation and, most importantly, issue dates of new currency designs (such as ACD features) and signature changes. A working group has been established at the Department of the Treasury level which consists of representatives of the Department, BEP, the Federal Reserve Board, and the Bureau of the Mint. This group utilizes data generated internally by the planning groups of each of these organizations, and data which are developed from economic and social analyses to prepare longer-term estimates. These estimates and the assumptions on which they are based are provided to a steering committee with senior representatives from the same organizations for consideration in planning.

Other external factors which may influence the Bureau but do not directly affect its core business include changes in personnel ceilings and pay/benefit programs which are made by Congress or the Executive Branch. These have morale and personnel retention implications, particularly for an organization that relies heavily on a highly trained, specialized, and unique workforce.

Section 8

CROSS-CUTTING ISSUES

Cross-Cutting Counterfeit Deterrence Program

The Bureau of Engraving and Printing works in conjunction with the United States Secret Service (USSS), Federal Reserve Board (FRB) and the Treasury Department Advanced Counterfeit Deterrence (ACD) Program to design and produce banknotes which address advances in the reprographic industry. Through the Advanced Counterfeit Deterrence Steering Committee, the BEP works to develop and incorporate currency features that will provide safeguards against emerging technologies in order to prevent the input, manipulation, and/or output of illegal or unauthorized banknote images. In conjunction with the FRB, USSS, and the Treasury Department ACD, BEP works to enhance public awareness of security features as new currency is introduced. Through the Securities Technology Institute, BEP engages in research and testing of possible design features.

Cross-Cutting Management Initiatives

The Bureau's security products, particularly currency, represent the integrity of the Federal Government, and therefore directly involve other Federal Agencies that are also concerned with security and integrity. BEP research into counterfeit deterrent features directly impacts efforts of the Federal Reserve Board and the U.S. Secret Service to accomplish their missions. The Federal Reserve for example, was founded "to provide the nation with a safer, more flexible, and more stable monetary and financial system." Since 1865, one of the main functions of the USSS has been to "suppress the counterfeiting of U.S. currency."

Counterfeit deterrence activities represent a major effort by BEP in research and development and also require the expenditure of significant capital and human resources in manufacturing. The strategic plan proposes to directly address the effectiveness of these measures in meeting the needs of external parties. Therefore, the Bureau plans to initiate a program to determine the effectiveness of counterfeit deterrence features. This will require the input of the US Secret Service and the Federal Reserve, as well as internal research groups, non-federal expert contractors, and government laboratories.

This effort will represent a true partnership between BEP as a manufacturer and USSS and the Federal Reserve as its customers. The focus of the program will be on both the reliability and accuracy of the manufacturing process in incorporating ACD features in bank notes and the effectiveness of incorporated features in the economy. Specifically, the partnership will examine counterfeit notes for the quality of the counterfeit feature, determine the method by which the notes were counterfeited, and the method by which they were "passed" to the public. The objective will be to come to some general conclusion on the efficacy of each feature. During the course of the project, additional refinements and modifications will be introduced as necessary.

Section 9

CONSULTATION WITH STAKEHOLDERS

The Bureau consulted with a variety of stakeholders concerning the Strategic Plan in order to gain input into the plan and comments on the draft document. These stakeholders include the general public, the Congress, Bureau customers, and its employees.

Public – The Bureau effectively communicates with and seeks input from stakeholders through the BEP web site which is designed to be an easy-to-use resource for information on security documents. The site includes the Facts & Trivia section, where over 40 informative public documents are located, information on our public tour, one of the most popular tours in Washington, DC, information on stamps and currency, a collector's forum, and a section which allows the user to conveniently send comments or requests to BEP. The web site has direct links to the Department of the Treasury, the Federal

Reserve, the United States Postal Service, U.S. Secret Service, U.S. Mint, and Internal Revenue Service.

Starting in 1998, many new enhancements were made to our Internet web site. The Bureau updated it to include interactive features especially for children. Secure Electronic Transactions (SET) Commerce was added to the site as an added level of security in purchasing products from our on-line catalog. Finally, a \$1 note graphic was added to explain the myths and symbolism associated with American currency.

Congress – The Bureau provides the opportunity for the appropriate Congressional committees and their staffs to consult concerning the content of the Strategic Plan before finalizing the document.

Customers – The Bureau has a well-developed process of obtaining input on both policy and operational matters from our major customers. Bureau officials hold regular meetings with officials from the Federal Reserve Board (FRB) and with officials from the United States Postal Service (USPS). These meetings discuss Bureau policy, strategies, and performance goals. Furthermore, communication with customers such as FRB, USPS, and currency processing equipment manufacturers provides continuous feedback on the quality of the Bureau's product and how well it is meeting its production goals.

Since November 1995 the Bureau has been working with currency processing vending machine manufacturers by having them come to the Bureau and test the Series 1996 new design currency with their own equipment. The Bureau has also held stakeholder meetings with the industry to obtain their feedback on the testing process. Because of suggestions received from the industry, the Bureau agreed to release the redesigned \$10 and \$5 denominations simultaneously. In addition, the Bureau developed a newsletter that is sent out to the industry notifying them of any pertinent information that would affect the release of the new notes. Another newsletter is being developed that would be sent to the entire vending industry. This newsletter will provide those companies that are not machine manufacturers a chance to obtain information that is critical to their industry as well.

Other methods of obtaining feedback from customers include customer surveys, conferences, individual contact, e-mail, fax, and telephone. All of these techniques are valuable devices for ensuring that the Bureau maintains customer-oriented goals.

Employees – The Bureau has a variety of methods for ensuring employee input into the Strategic Plan and performance measures. The Joint Labor Council, Office Chiefs, and Associate Directors are involved in the development of the strategic planning document. Bureau management also seeks input in developing appropriate performance measures and data requirements. The unions play a particularly significant role in this process. With nineteen union locals, the union-management partnership continues to provide a forum to improve communication for all employees. Key to this partnership is the open communication between senior management and the unions.

Section 10

STEPS TO DISSEMINATE THE STRATEGIC PLAN

The Bureau has several methods for disseminating information regarding its strategic goals and objectives. The strategic plan is published on the Intranet for employees, and information is also distributed in its internal newsletter. The continuous communication with outside stakeholders and customers is another method for providing information concerning the Bureau's Strategic Plan. Finally, the Strategic Plan has been posted on the Bureau's web site.

Appendix

<p><i>Table A</i></p> <p><i>Linking Treasury Goals and Objectives with Bureau Goals</i></p>	
<p><i>Treasury-Wide Strategic Goals and Objectives</i></p>	<p><i>Bureau of Engraving and Printing Supporting Goals</i></p>
<p>Treasury Goal: Improve the efficiency of production operations and maintain the integrity of U.S. legal tender</p> <ol style="list-style-type: none"> 1. Increase the productivity and efficiency of coin and currency manufacturing 2. Continue to explore mechanisms for maintaining the integrity of U.S. coin and currency 	<p>Bureau Goal: Quality Manufacturing</p> <p>Manufacture state-of-the-art currency and stamps of consistently high quality while improving productivity and cost performance. <i>(Supports objectives 1 and 2)</i></p> <p>Bureau Goal: Counterfeit Deterrence</p> <p>Produce state-of-the-art notes that deter counterfeiting, contributes to public confidence, facilitates daily commerce and improves the efficiency of currency in circulation. <i>(Supports objective 2)</i></p>
<p>Treasury Goal: Combat money laundering and other financial crimes</p> <ol style="list-style-type: none"> 1. Dismantle domestic and international money laundering networks 2. Reduce counterfeiting and other criminal threats to our financial system 	<p>Bureau Goal: Counterfeit Deterrence</p> <p>Produce state-of-the-art notes that deter counterfeiting, contributes to public confidence, facilitates daily commerce and improves the efficiency of currency in circulation. <i>(Supports objective 2)</i></p>

<p>Treasury Goal: Support the achievement of business results</p> <ol style="list-style-type: none"> 1. Improve capacity to recruit, develop, and retain high caliber employees 2. Foster an environment of equal opportunity 3. Make wise capital investments and effectively manage Treasury assets 4. Procure quality goods and services at a fair and reasonable price and in a timely manner 	<p>Bureau Goal: Resource Management</p> <p>Manage the bureaus resources to increase efficiency and effectiveness in support of the other strategic goals <i>(Supports objectives 1, 2 and 3)</i></p> <p>Bureau Goal: Security and Accountability</p> <p>Ensure an environment of comprehensive security and accountability for the Bureau's personnel, facilities and products. <i>(Supports objective 1)</i></p>
<p>Treasury Goal: Improve customer satisfaction</p> <ol style="list-style-type: none"> 1. Develop service standards for all Treasury programs serving the public 2. Regularly measure actual performance against standards and report results to the public 	<p>Bureau Goal: Customer Satisfaction</p> <p>Satisfy the Federal Reserve Board, the Postal Service and the public by providing responsive service and quality programs <i>(Supports objectives 1 and 2)</i></p>
<p>Goal: Improve employee satisfaction</p> <ol style="list-style-type: none"> 1. Regularly measure employee perceptions of management and organizational effectiveness 2. Target employee development where opportunities exist to improve in areas identified by employees 	<p>Bureau Goal: Resource Management</p> <p>Manage the bureaus resources to increase efficiency and effectiveness in support of the other strategic goals <i>(Supports objectives 1 and 2)</i></p>